

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

)	
In re:)	Chapter 11
)	
JOANN INC., <i>et al.</i> ,)	Case No. 25-10068 (CTG)
)	
Debtors. ¹)	Jointly Administered
)	
)	Re: D.I. 1051
)	

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US BANKRUPTCY COURT
DISTRICT OF DELAWARE

**RESPONSE OF USA DEBT RECOVERY SOLUTIONS, INC., AS ASSIGNEE OF
SHENZHEN RIZEE CULTURAL CREATIVITY CO., LTD TO DEBTORS' FIRST
OMNIBUS OBJECTION TO THE § 503(b)(9) ADMINISTRATIVE PRIORITY STATUS
OF CLAIM NO. 11951 AND REQUEST FOR ALTERNATIVE RELIEF**

USA Debt Recovery Solutions, LLC ("USA DRS"), as assignee of Shenzhen Rizee Cultural Creativity Co., Ltd ("Shenzhen"), by and through its authorized agent, Artur Tretiakov, files this objection to the Debtors' First Omnibus Objection to Claims (Substantive) [Docket No. 1051] regarding Proof of Claim No. 11951 (the "Claim") and requests alternative relief.

PRELIMINARY STATEMENT

1. The Debtors object to the Claim's §503(b)(9) status, arguing the goods were not received within the 20-day window (December 26, 2024–January 14, 2025) before the January 15, 2025, filing. USA DRS acknowledges receipt of 2 containers by Century Distribution Systems ("Century") on December 11 and 13, 2024, is outside the window but argues Joann's alleged misrepresentations of its financial state in late 2024—detailed in a May 15, 2025, supplier lawsuit in Ohio state court (the "Ohio Action,") and Joann's June 13, 2025, Adversary Complaint to enjoin it (Docket No 1160)—induced Shenzhen's shipments, justifying equitable tolling or estoppel for the \$221,000.00 claim. Yes.
2. The Ohio Action, where suppliers allege \$40 million losses from executive deceptions (including Michael Prendergast, Jeffrey Dwyer, Robert Will), evidences a pattern supporting relief here. Alternatively, USA DRS requests the Claim be allowed as a general unsecured claim or reclamation under §546(c).

3. Joann's FY22 Import Supplier Relationship Guide (**Exhibit A**) required delivery to Century's warehouse, where Century received the goods on Joann's behalf, issued FCRs, and managed customs. Joann hid its dire state post-2024 bankruptcy exit, as alleged in the Ohio Action. This pattern, including November 2024 rebate negotiations amid strained relationships, supports relief for Shenzhen.

BACKGROUND

3. Shenzhen shipped two containers valued at \$221,000.00 under FOB Shenzhen/Yantian terms:
 - a. Container ONEU5808908: received by Century December 13, 2024, shipped December 21, 2024, arrived on February 17, 2025.
 - b. Container ZCSU2603282: received by Century December 11, 2024, shipped December 17, 2024, arrived on January 17, 2025.
4. The Debtors filed for Chapter 11 on January 15, 2025, after hiding liquidity struggles in late 2024. USA DRS filed the Claim for \$221,000.00 as a §503(b)(9) expense. The Debtors objected on May 30, 2025, asserting post-petition receipt. USA DRS argued Century's agency and requested documents. The Debtors extended deadlines to July 31, 2025, the hearing was adjourned to August 14, 2025, and failed to produce any records.
5. On May 15, 2025, suppliers (including UCC members) sued Joann executives (including Michael Prendergast, Jeffrey Dwyer, Robert Will) in Ohio for fraud/negligent misrepresentation, alleging post-2024 bankruptcy deceptions induced credit extensions despite known distress. Joann sought to enjoin this Ohio Action on June 13, 2025 (Docket #1160 Adversary Complaint). Reports confirm November 2024 vendor negotiations amid strained relationships, foreshadowing the January 2025 filing.

LEGAL ARGUMENT

A. Legal Standard for § 503(b)(9) Claims

7. Section 503(b)(9) grants priority for goods received by the debtor or its agent within 20 days pre-petition. *In re World Imports, Ltd.*, 862 F.3d 338, 343-44 (3d Cir. 2017). Constructive receipt occurs via an agent under debtor control. UCC §2-103(1)(c).

B. Constructive Receipt by Century as Joann's Agent

8. The Guide (Exhibit A, pp. 17–19) mandates delivery to Century, which received goods on December 11 and 13, 2024, issued FCRs with Joann's instructions, and handled customs in **over 8,000 shipments**. Century's role exceeds intermediaries in *World Imports*, *Trico Steel*, and *Marin Motor Oil*. FOB terms and Joann's control support constructive receipt.

C. Equitable Tolling and Estoppel

9. Joann's misrepresentations of financial health in late 2024 induced Shenzhen's shipments. The Ohio Action's details—inventory shortages from summer/fall 2024, \$10M reserve in August, \$80M in December 2024—mirror Shenzhen's experience, showing systemic fraud preventing timely halt of deliveries. USA DRS requests the window be tolled by 13–15 days. *In re Arts Dairy, LLC*, 432 B.R. 712 (Bankr. N.D. Ohio 2010). Joann's post-petition control and injunction attempt estop denial of receipt. *In re Circuit City*, 426 B.R. 870 (Bankr. E.D. Va. 2010).

D. Discovery and Adverse Inference

10. Joann's failure to provide arrival notices, and customs records hinders analysis. Discovery is needed on late 2024 communications, tying to the Ohio Action.

E. Policy and Alternative Relief

11. Denying priority rewards Joann's alleged deception, undermining §503(b)(9)'s vendor protection. USA DRS requests partial priority for possession near the window (*In re Goody's*, 401 B.R. 656 (Bankr. D. Del. 2009)) or a general unsecured claim. Shenzhen's return request supports §546(c) reclamation, pending discovery.

CONCLUSION

WHEREFORE, USA DRS respectfully requests that the Court: (i) overrule the Debtors' objection and allow the \$221,000.00 Claim as §503(b)(9), or pro rata; (ii) alternatively, allow general

unsecured or §546(c) reclamation; (iii) compel production of arrival notices, customs documents, and late 2024 communications; and (iv) grant equitable relief.

Dated: July 30, 2025

Los Angeles, CA

/s/ Artur Tretiakov

Artur Tretiakov

Authorized Agent

USA Debt Recovery Solutions, Inc.

255 W Foothill Blvd, Suite 205,

Upland, CA 91786

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E-mail: Arthur.tretiakov@recoverthedebt.com

EXHIBIT A

JOANN

FY22 Import Vendor Relationship Guide

This document does not take place of the Vendor Portal. The Vendor Portal must be checked regularly for updates.



February 1, 2021

Dear Vendors,

I have attached the FY22 Domestic Vendor Relationship Guide and the FY22 Import Vendor Relationship Guide ("VRG"). Please take the time to review the VRG thoroughly within your organization. It's imperative that you and our key team members understand the requirements of these guides. All of the policies outlined in the VRGs are specifically designed to create an efficient and effective distribution network, allowing customers to fully realize the potential of the product we are offering. Below are some key updates to the FY22 VRGs all changes with both guides will be highlighted in yellow.

FY21 Domestic Vendor Relationship Guide:

4. Purchase Orders

A. Vendor Review

- Any vendor changes to Purchase Orders must be communicated to JOANN within 3 business days after issuance of the PO. Any PO changes outside of this time window may result in a fine. In its sole discretion JOANN may waive application of the fine depending on the circumstances.

7. Non-Fabric Merchandise Packaging and Labeling Requirements

Source with Intent

Responsibly source packaging materials and maximize renewable and/or recycled content.

- Use materials that are commonly recycled in major municipalities
- Use only Vegetable/Soy Based inks
- Use only Aqueous Matte Coating - NO LAMINATIONS
- Source paper with as much post-consumer recycled content as is practical and financially viable.
- Source materials locally, whenever possible.

Design for Efficiency

Design product packaging to avoid using unnecessary material.

- Right-size packaging.
- Limit the use of plastic, styrofoam & plastic bags.

Design for Distribution

Optimize shipping packaging design and materials to reduce environmental impact.

- Minimize the use of bubble wrap and styrofoam in shipping cartons.

Design for Reuse & Recyclability

Design for reuse and recyclability of packaging materials.

- Utilizing reusable packaging to offer a storage solution for items containing more than one project's worth of supplies.
- Utilize the How2Recycle labeling program to provide customers with clear recycling instructions.
- Utilize JOANN's reuse & recycle statement on packaging to provide customers with ideas on how to reuse packaging that may not otherwise be easily recycled.

The VRGs are effective February 1 2021, our 2022 Fiscal Year. The Domestic and Import VRGs can be found in the Resources/Documents section of the Vendor Portal. If you need assistance accessing the Vendor Portal, please contact Vendor Compliance at vendorcompliance@joann.com.

Any questions you may have regarding the FY22 Domestic VRG or Import VRG should be directed to your Buyer or to Vendor Compliance.

Thank you very much in advance for your attention and compliance.

Sincerely,

Shayn Heid
Chief Innovation & Sourcing Officer

Rob Will
Chief Merchandising Officer

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Master Carton Labels

Master carton labels are generated from the VMS system. They can only be created once you have finalised your booking on the VMS system. Please use the « Labelling » tab to create them.

Booking

The booking is made online from the booking Tab using the following guidelines :

For any additional help, please contact :

Marcel Westhoff
Century Distribution Systems (Europe) B.V.
Office +31 10 428 4222
emea@cds-net.com

VMS User Guide Links

VMS 2.0 Basic Features User guideline:
http://vmsftp.28622483@218.255.133.43/VMS2.0_Basic_Features

Manifest and container load plan guideline: http://vmsftp.28622483@218.255.133.43/VMS2_Manifest_ESN_VendorUserGuide

Container Weight Restrictions , SOLAS-Verified Gross Mass guideline:
http://vmsftp.28622483@218.255.133.43/VMSUserGuide/Vendor_User_Guides.zip

FCR User guideline:
http://vmsftp.28622483@218.255.133.43/FCR_Supplier

Packaging and Carton Labelling guideline:
http://vmsftp.28622483@ftp.cds.com.hk/VMS2_Packing_User_Guide

Booking guideline
http://vmsftp.28622483@218.255.133.43/VMS2.0_VOB

- Booking: Vendors MUST make on-line bookings with Century a minimum of ten (10) days prior to the "Cancel Date" stated on the Purchase Order to ensure carrier equipment and space availability.
- Cargo Delivery: Vendors are required to deliver the complete Purchase Order on or before the "Cancel Date" as indicated on the Purchase Order factory loaded containers (CY/CY) should be delivered to the port and loose freight (CFS) should be delivered to Century's warehouse or third party logistics provider's warehouse in the case of LCL shipments. Century will advise delivery location upon booking acceptance for CFS cargo.
- Late Delivery Penalty: A 1% reduction in total FOB cost per day will be assessed if the complete Purchase Order is not delivered on or before the "Cancel Date" as indicated on the Purchase Order. JOANN reserves the right to cancel late Purchase Orders or ship Purchase Orders via air at the Vendor's expense.
- Measurement: On-time shipping will be measured by the "Freight Receipt Date" located on Century's Forwarder's Cargo Receipt (FCR). The freight receipt date stated on the FCR must be on or before the "Cancel Date".
- Any item requiring quality compliance product testing must have a "Passing" grade on file with Century before a booking can be made. No "Cancel Date" extensions will be issued for delayed test results.
- Century supports Vendor Online Booking (VOB). It eliminates the need for fax or email bookings and provides electronic booking confirmation to Vendors. It supplies instant validation of Purchase Order/article booking data and gives the Vendors the ability to retrieve historical booking data. First time shippers will still be permitted to e-mail or fax a booking request.
- Century will confirm a booking by providing a booking number to the Vendor.
- Century is responsible for collecting all the required documents within 2 business days and forwarding the documents to JOANN's designated U.S. Customhouse broker.
- Vendor loaded, CY/CY containers must have factory pack declaration and container load plan tendered to Century 48 hours before vessel cut-off (closing).
- Export documents shall be surrendered same day as cargo on all CFS deliveries. Any delays in shipping caused by delayed or incorrect documents may result in additional fines to recover additional JOANN expenses.
- FCR will be issued once all five requirements below are met completely and accurately. "Date of Issue" will be indicated on the FCR.
 - Shipping Order is submitted to who? Where ? how?

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- Cargo is delivered to port (CY/CY) or Century Warehouse (CFS) or third party logistics provider's warehouse (in the case of LCL shipment) in its entirety.
- All required documents are submitted. Can we list these?
- Cargo has cleared origin Customs. How long does this typically take?
- Origin fees paid to Century. Where are these listed?
- A complete set of documents must be tendered to Century within two business days after vessel cut-off for factory loaded containers (CY/CY) and within two business days after cargo delivery for CFS/CY or CFS/CFS loads. This applies to ALL JOANN shipments from all origins with the following exceptions:
 - For shipments originating in Vietnam – all documents must be delivered according to above except for the Country of Origin Declaration which must be delivered within four days of vessel sailing.
 - Any specific requirements for Thailand, Brazil, EU, Turkey, etc..?
 - For softline shipments originating in either India or Indonesia – all documents must be delivered within four business days after vessel cut-off for factory loaded containers (CY/CY) and within four business days after cargo delivery for CFS/CY or CFS/CFS loads.

When documents are tendered late to Century a late fee of USD250 per day, per set of documents, will be assessed. The FCR will be held until the late document fee is paid to Century on JOANN's behalf.

a. Standardized Direct Import Document Requirements

In an effort to improve consistency, accuracy and overall compliance JOANN has created standardized document templates for the core set of documents that must be used when creating the commercial documents for any direct import shipment.

There are four key documents:

- (1) Commercial Invoice;
- (2) Packing List;
- (3) Country of Origin Declaration; and
- (4) Trade Preference Eligibility Form.

Each document is discussed below.

Additional documents may be required depending on the type of article shipped. Notifications for specific product types will be provided in VMS (flagged upon booking and you will be notified)

All JOANN standardized documents must be created electronically in Century's VMS system. Alert local Century contact if Vendor requires a set of instructions for completing each of these documents or if Vendor needs help using the system. A complete set of documents must be created for each Purchase Order.

1. JOANN Standardized Commercial Invoice

The Commercial Invoice must be created in Century's VMS system through online booking. For further information regarding this process, contact the local Century office. Only one (1) Purchase Order per Commercial Invoice. The "quantity" field on the Commercial Invoice must be stated in individual pieces and not master case quantities. This field should be for the total number of "pieces" shipped.

The following fields must be completed on every JOANN Commercial Invoice created:

Header

- Date: Date the Commercial Invoice is created.
- Invoice No.: Unique Commercial Invoice number created by the Vendor for each Purchase Order.
- From: Port of export where the vessel will depart. (i.e. Yantian, Shanghai, etc.)
- To: Location of the JOANN DC where the goods are to be delivered (i.e. Hudson, OH, Visalia, CA or Opelika, AL).
- Shipped By: Transportation mode used to ship the Purchase Order. (i.e. Ocean, Air)

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Summary Information: Data pertaining to the entire order/invoice.

- Vendor Name
- Purchase Order number: This should be the complete number as indicated on the Purchase Order
- Invoice number: Invoice numbers must not be recycled within a minimum of 18 months
- Invoice Date: Must be the actual date the merchandise was shipped
- Terms of Sale: The due date for payment is calculated by these terms and should match the terms of the Vendor's contract with JOANN
- Remit-To Address: Only one remit-to address is accepted per Vendor
- Off-Invoice Allowances: Must be separately identified and identified individually if more than one type
- Total Invoice Cost: U.S. Dollars only (for multi-page paper invoices, the total invoice cost must appear on the last page only)

Shipping Information: Data pertaining to the method by which the order is shipped.

- Name and location, including Store or DC number, to which the merchandise was shipped
- Actual Ship Date
- Total cases shipped (if available)
- Provide either a BOL or the name of the carrier making the delivery and the Carrier's Tracking Number:
Billing number
- Freight Terms: FOB location and either prepaid, collect or customer pick-up

Line Item Information: Data pertaining to each article on the order/invoice.

- JOANN article number
- Article description
- Selling unit
- Unit quantity shipped
- Unit cost
- Extended cost for article item on the invoice

2. JOANN Standardized Packing List

The Packing List must be created in [Century's](#) VMS system through online booking. Only one (1) Purchase Order per Packing List.

The following fields must be completed on every Packing List created:

- Invoice No.: The unique Commercial Invoice number created by the Vendor for the shipment the Packing List is attributed to.
- Invoice Date: Date the Commercial Invoice was created.
- Merch-Cat: JOANN merchandise category number associated with the Purchase Order.
- Country of Origin: Country where the article(s) is/are manufactured.
- Mode of Transport: Transportation mode used to ship the Purchase Order (i.e. Ocean, Air).
- Vendor Name: Name of Vendor as stated on the JOANN Purchase Order.
- Vendor Address: Address of Vendor as stated on the JOANN Purchase Order.
- DC: JOANN DC number where the Purchase Order is to be delivered (i.e. DC 01). This number is stated on the JOANN Purchase Order.
- City: City within the United States where the JOANN DC is located.
- State/Zip: State/Zip Code within the United States where the JOANN DC is located.
- Container No.: Unique number for the container provided by [Century](#) for the shipment of the Purchase Order.
- Gross Weight: Entire weight of goods including packing and container (box).
- Net Weight: Weight of goods without any packing material.
- Total Cases: Total cases shipped for the Purchase Order. A "0" should be entered for ROT shipments only.

- ### Case/Bolt/ROT Detail

- Example:**

[illegible]

The following fields must be completed on every Packing List created:

- **Purchase Order Number:** JOANN 8 digit Purchase Order number.
- **Article Number:** JOANN article number from the Purchase Order.
- **Factory Name:** Name of the factory that physically manufactured the article(s) shipped.
- **Factory Address:** Address of the factory that physically manufactured the article(s) shipped.

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Case Utilization

- Cases that are under-filled or inefficiently packed are both costly to transport and increase the likelihood of damage. Vendors are required to use at minimum 80% of the case cube in a fully packed case. This includes the product and product packaging but excludes any case-filler. For product packed in bags, the inner cube will be determined by the actual dimensions of the product and how it lays in the case, NOT by the dimensions of the entire bag.
- Case utilization is calculated based off of the following formula:
$$\text{Utilization \%} = (\text{Pack dimension cube} * \text{Packs per case}) / (\text{Case dimension cube} * .80)$$

Note: Assumption is 20% of the case dimension cannot be used.

Factory Loaded (CY/CY) Containers

One case of any new article must be loaded on the tail of the container and marked with a visible one inch red dot facing outward to validate product dimensional data supplied by factory.



Air Freight Shipments

All shipments via air, either prepaid or collect, MUST be booked with Century. Any air shipment imposed as a result of late shipment will be required to use a JOANN nominated air carrier.

Advance Shipment Notice Requirements

Vendors are expected to provide ASN documents for each shipment being sent to a JOANN DC or Store location. ASN data must be received prior to corresponding shipment arrivals at and JOANN DC or store location.

To access your orders go to the order management tab in VMS and click Purchase Order.

CERTIFICATE OF SERVICE

I hereby certify that on July 30, 2025, I served or caused to be served the foregoing upon the persons listed below via electronic mail:

<p>KIRKLAND & ELLIS LLP KIRKLAND & ELLIS INTERNATIONAL LLP Joshua A. Sussberg, P.C. Aparna Yenamandra, P.C. 601 Lexington Avenue New York, New York 10022 joshua.sussberg@kirkland.com aparna.yenamandra@kirkland.com</p> <p>Anup Sathy, P.C. (admitted pro hac vice) Jeffrey Michalik (admitted pro hac vice) Lindsey Blumenthal (admitted pro hac vice) 333 West Wolf Point Plaza Chicago, Illinois 60654 anup.sathy@kirkland.com jeff.michalik@kirkland.com lindsey.blumenthal@kirkland.com</p> <p>COLE SCHOTZ P.C. Patrick J. Reilley (No. 4451) Stacy L. Newman (No. 5044) Michael E. Fitzpatrick (No. 6797) Jack M. Dougherty (No. 6784) 500 Delaware Avenue, Suite 1410 Wilmington, Delaware 19801 snewman@coleschotz.com mfitzpatrick@coleschotz.com jdougherty@coleschotz.com</p> <p><i>Counsel to Debtors</i></p>	<p>PACHULSKI STANG ZIEHL & JONES, LLP Bradford J. Sandler, Esq. James E. O'Neill, Esq. 919 North Market Street, 17th Floor P.O. Box 8705 Wilmington, DE 19899-8705 bsandler@pszjlaw.com joneill@pszjlaw.com</p> <p>KELLEY DRYE & WARREN LLP Jason R. Adams, Esq. Eric R. Wilson, Esq. Maeghan J. McLoughlin, Esq. Andres Barajas, Esq. 3 World Trade Center 175 Greenwich Street New York, NY 10007 jadams@kelleydrye.com ewilson@kelleydrye.com mmcloughlin@kelleydrye.com abarajas@kelleydrye.com</p> <p><i>Counsel to the Official Committee of Unsecured Creditors</i></p> <p>OFFICE OF THE UNITED STATES TRUSTEE Malcolm M. Bates, Esq. Office of the United States Trustee J. Caleb Boggs Federal Building 844 N. King Street, Room 2207, Lockbox 35 Wilmington, DE 19801 Malcolm.M.Bates@usdoj.gov</p>
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Dated: July 30, 2025

/s/ *Artur Tretiakov*

Artur Tretiakov

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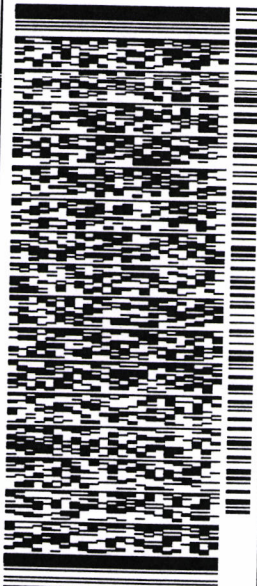
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UPLAND, CA 91786
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DISTRICT OF DELAWARE
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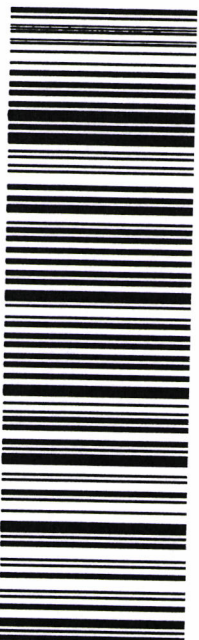
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